

Montana's JSECs

Liabilities and Tax Status

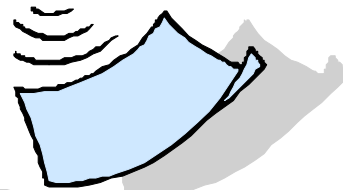
MSEC Meeting

April 14, 2008



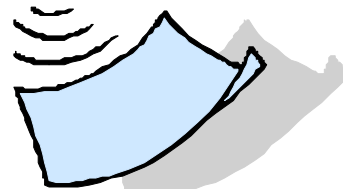
Why are we here?

- JSEC Purpose
- To incorporate or not to incorporate
- Tax exempt status
 - 501(c)(3)
 - 501(c)(6)
- How can the MSEC help?



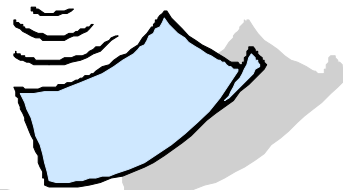
JSEC Purpose

- Coordinate employer ideas
- Exchange information
- Recommend solutions to JSEC-identified problems
- Link between
 - Montana Department of Labor and Industry (DLI)
 - Montana State Employers' Committee (MSEC)
 - Montana employers



JSEC Purpose (cont.)

- Partner with local Workforce Centers to enhance community investment in the employment and training system
- Promote increased utilization of local Workforce Centers
- Advisory council for local Workforce Centers
- Communication link to the community
- Promote activities that develop Montana's present and future workforce



Incorporation

Not Incorporated

- Liability of directors / officers
- May Draw Homeland Security or IRS / State Tax attention
- Fiduciary risk

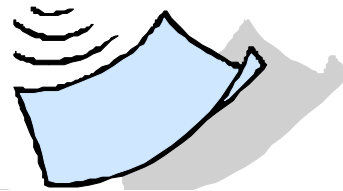
Incorporated

- Limited liability protection
- Generates less curiosity
- Legitimizes bank account



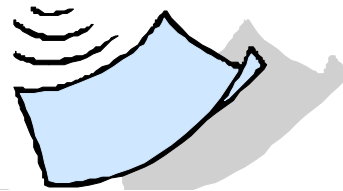
What does it take to incorporate?

1. File “Articles of Incorporation for Domestic Non-Profit Corporation” with Montana Secretary of State’s office
2. Must have By-Laws in place
3. Include filing fee
4. Annual renewal/update with SOS



Tax Exempt Status

- Income accumulated by non-exempt JSEC is taxable by the State of Montana *and* the IRS
- Income to a non-profit corporation is not taxable with either a 501(c)(3) or 501(c)(6)



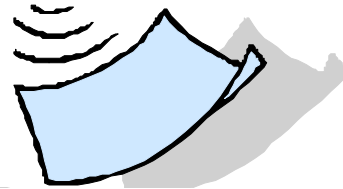
Tax Exempt Status (cont.)

501(c)(3)

- Ability to receive grants
- Gifts tax deductible
- Campaigning somewhat restricted but can testify
- Individuals may not profit from organization

501(c)(6)

- Limited grant opportunities
- Gifts not tax deductible
- May campaign
- Individuals may not profit from organization

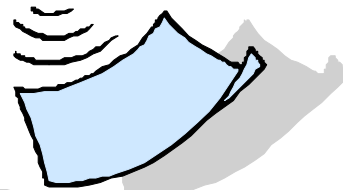


Tax Exempt Question

Can JSEC apply for tax exempt status without being incorporated?

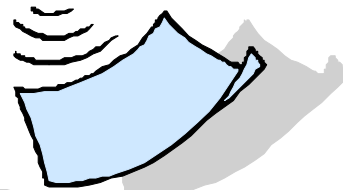
Yes – But....

JSEC does not have limited liability for officers/directors if not incorporated.



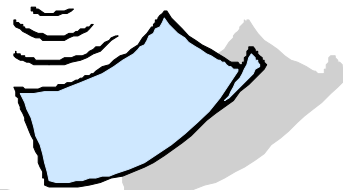
What does it take to receive a tax-exempt status?

1. Fill out IRS form 1023 (www.irs.gov)
2. By-Laws Required
3. Article of Incorporation helpful
4. Annually file information return with IRS and send copy to Montana Department of Revenue



Recommendations

1. JSECs incorporate as non-profit corporations.
2. JSECs apply for 501(c)(3) tax exempt designation from the IRS.



How can the MSEC help?

- Produce “Tool” for JSEC
 - Boilerplate By-Laws
 - Article of Incorporation hints
- Post on MSEC website
- Have available at JSEC/Managers’ Conference in April

